



**REQUEST FOR PROPOSAL
POLICY IMPLEMENTATION CASH OVERLAY MANAGER
RFP NUMBER: 07-01**

RELEASE DATE: FEBRUARY 19, 2007

**DEADLINE FOR INQUIRIES: MARCH 2, 2007 – 3:00 PM (EDT)
DEADLINE FOR SUBMISSION: MARCH 16, 2007 – 3:00 PM (EDT)**

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**SECTION ONE
GENERAL INFORMATION**

1.1 INTRODUCTION

The Indiana Public Employees' Retirement Fund ("PERF") is soliciting proposals from all qualified firms who wish to be considered as a vendor for policy implementation cash overlay services. Specifically, PERF is seeking a policy implementation cash overlay manager to provide comprehensive management of PERF's cash exposure to better align the fund's frictional and reserve cash with the strategic policy allocation targets of the fund. It is expected that domestic and international equity manager's frictional cash (except those who may hold cash as part of their investment strategy), as well as cash held by the fund to meet benefit payments and private equity and real estate capital calls, will be managed to the fund's strategic asset allocation.

PERF is a non-profit, quasi-state agency of the state of Indiana that was created on July 1, 1945, with the passage of the Public Employees' Retirement Act. PERF provides service to the members and their employers for all of the pension funds administered by PERF, having as its goal the accurate accumulation of data and funds in order to provide correct and prompt retirement benefits. The total asset value of funds managed by PERF as of April 30, 2006, was \$16.1 billion.

1.2 DEFINITIONS AND ABBREVIATIONS

Following are explanations of terms and abbreviations appearing throughout this RFP. Other special terms may be used in the RFP, but they are defined where they appear, rather than in the following list.

Board	Board of Trustees of PERF.
IAC	The Indiana Administrative Code.
IC	The Indiana Code.
PERF	Indiana Public Employees' Retirement Fund
Proposal	An offer.
Respondent	An offeror who submits a proposal.
Services	Work to be performed as specified in this RFP.
Vendor	Any successful respondent selected as a result of the procurement process to deliver services requested by this RFP.

1.3 ISSUER

In accordance with Indiana statutes governing the administration of PERF, PERF has issued this RFP. The staff of PERF has prepared the content of the RFP. One (1) copy of this RFP may be provided free of charge from PERF or a copy may be obtained from PERF's contracts website at: (<http://www.in.gov/perf/agency/contracts.html>). A nominal fee will be charged for providing additional hard copies.

1.4 DUE DATE AND FORMAT FOR PROPOSALS

All proposals must be received at the address below no later than March 16, at 3:00 PM (EDT). Each respondent must submit one (1) original (marked "Original"), one (1) copy of the proposal in CD ROM format, and four (4) copies of their proposal, including the transmittal letter and other related documentation as required in Sections 4.2 and 4.3 of this RFP. The proposal must be addressed/delivered to:

Rebecca Cook
Procurement Officer
Indiana Public Employees' Retirement Fund
143 W. Market Street
Indianapolis, IN 46204

Any proposal received after the due date will not be considered. Any late proposals will be returned, unopened, to the respondent, upon request, within thirty (30) days of filing.

1.5 MODIFICATION OR WITHDRAWAL OF OFFERS

Responses to this RFP may be modified or withdrawn in writing or by fax notice received prior to the date specified for receipt of proposals. The respondent's authorized representative may also withdraw the proposal in person, providing his or her identity is made known and he or she signs a receipt for the proposal. Proposals may not be withdrawn after the proposal due date has passed.

Modification to or withdrawal of a proposal received after the date specified for receipt of proposals will not be considered. If it becomes necessary to revise any part of this RFP or if additional data is necessary for an exact interpretation of provisions of this RFP prior to the due date for proposals, a supplement will be posted by PERF on its website (<http://www.in.gov/perf/agency/contracts.html>). If such addenda issuance is necessary, PERF reserves the right to extend the due date of proposals to accommodate such interpretations or additional data requirements.

1.6 JOINT BIDS / SUBCONTRACTING

PERF will not entertain joint bids.

Although PERF anticipates that any respondent submitting a proposal will provide the major portion of the services as requested, subcontracting by the respondent is acceptable in performing the requirements of this RFP. However, the respondent must obtain the approval of PERF before subcontracting any portion of the project's requirements. The respondent is responsible for the performance of any obligations that may result from this RFP and shall not be relieved by the non-performance of any subcontractor. Any respondent's proposal must identify all subcontractors and outline the contractual relationship between the respondent and each subcontractor. Either a copy of

the executed subcontract or a letter of agreement over the official signature of the firms involved must accompany each proposal.

Any subcontracts entered into by the respondent must be in compliance with all State of Indiana statutes and be subject to the provisions thereof. For each portion of the proposed services to be provided by a subcontractor, the technical proposal must include the identification of the functions to be provided by the subcontractor and the subcontractor's related qualifications and experience.

The combined qualifications and experience of the respondent and any or all subcontractors will be considered in PERF's evaluation. The respondent must furnish information to PERF as to the amount of the subcontract, the qualifications of the subcontractor for guaranteeing performance, and any other data that may be required by PERF. All subcontracts held by the respondent must be made available upon request for inspection and examination by appropriate PERF officials and such relationships must meet with the approval of the PERF.

1.7 CONFIDENTIAL INFORMATION

Respondents are advised that materials contained in proposals are subject to the Indiana Public Records Act, IC 5-14-3 et seq., and, after the contract award, may be viewed and copied by any member of the public, including news agencies and competitors. Respondents claiming a statutory exception to the Indiana Public Records Act must place all confidential documents (including the requisite number of copies) in a sealed envelope clearly marked "Confidential" and must indicate in the transmittal letter and on the outside of that envelope that confidential materials are included. The respondent must also specify which statutory exception provision applies.

PERF reserves the right to make determinations of confidentiality. If PERF does not agree that the information designated is confidential under one of the disclosure exceptions to the Indiana Public Records Act, it may either reject the proposal or discuss its interpretation of the allowable exceptions with the respondent. If agreement can be reached, the proposal will be considered. If agreement cannot be reached, PERF will remove the proposal from consideration for award and return the proposal to the respondent. PERF will not determine prices to be confidential information.

1.8 RFP RESPONSE COSTS

PERF accepts no obligations for costs incurred by respondents in anticipation of being awarded a contract.

1.9 PROPOSAL LIFE

All proposals made in response to this RFP must remain open and in effect for a period of not less than 180 days after the due date for proposals. Any proposal accepted by PERF for the purpose of contract negotiations shall remain valid until superseded by a contract or until rejected by PERF.

1.10 TAXES

PERF is exempt from federal, state, and local taxes. PERF will not be responsible for any taxes levied

on the respondent as a result of any contract resulting from this RFP.

1.11 SECRETARY OF STATE REGISTRATION

Before an out-of-state respondent can do business with PERF, the respondent must be registered with the Indiana Secretary of State. If an out-of-state respondent does not have such registration at present, the respondent should contact

Secretary of State of Indiana
Corporation Division
402 West Washington Street, E018
Indianapolis, IN 46204
(317) 232-6576

for the necessary registration application form, or it can be accessed via the internet at <http://www.in.gov/icpr/webfile/formsdiv/38784.pdf>. It is each respondent's responsibility to register prior to the initiation of any contract discussions.

1.12 DISCUSSION FORMAT

PERF reserves the right to conduct discussions, either oral or written, with those respondents determined by PERF to be reasonably viable to being selected for award. PERF also reserves the right to conduct clarifications to resolve minor issues.

1.13 SUMMARY OF MILESTONES

The following is the expected timeline for the RFP.

<u>ACTIVITY</u>	<u>EXPECTED DATE</u>
RFP published/released	February 19, 2007
Respondent's inquiry period ends	March 2, 2007 3:00 PM (EDT)
Proposal submission date	March 16, 2007 3:00 PM (EDT)
Discussions and or site visits	Week of April 9, 2007 (if necessary)
Selection of finalists	Week of April 23, 2007
Notify selected finalists	May 14, 2007 (or earlier)

SECTION TWO PROPOSAL PROCEDURES

2.1 CONTACTS

Inquiries are not to be directed to any staff or Board member of PERF, except as outlined in Section 2.3.

Such unauthorized communication(s) may disqualify respondent from further consideration. The Fund reserves the right to discuss any part of any response for the purpose of clarification. Respondents will be given equal access to any communications about the request for proposal between the Fund and other respondents.

2.2 PRE-PROPOSAL CONFERENCE

It is the decision of PERF that no pre-proposal conference is required for this RFP.

2.3 INQUIRIES ABOUT THE RFP

All inquiries and requests for information affecting this RFP must be submitted in writing by e-mail to:

Rebecca Cook
Procurement Officer
rcook@perf.state.in.us

no later than March 2, 2007 at 3:00 PM (EDT). PERF reserves the right to judge whether any questions should be answered in writing and copies will be distributed to all prospective respondents who are known to have received a copy of the original RFP.

2.4 RESPONDENT SITE VISITS

PERF may request a site visit to a respondent's working support center to aid in the evaluation of the respondent's proposal.

2.5 CONTRACT AWARD

Based on the results of this process, the qualifying proposal determined to be the most advantageous to PERF, taking into account all of the evaluation factors, may be selected by PERF for further action, such as contract award. If, however, PERF decides that no proposal is sufficiently advantageous to PERF, PERF may take whatever further action is deemed best in its sole discretion, including making no contract award. If, for any reason, a proposal is selected and it is not possible to consummate a contract with the respondent, PERF may begin contract preparation with the next qualified respondent or determine that it does not wish to award a contract pursuant to this RFP.

PERF reserves the right to reject any or all proposals received or to award, without discussions or clarifications, a contract on the basis of proposals received. Therefore, each proposal should contain the respondent's best terms from a price and technical standpoint.

SECTION THREE LENGTH OF CONTRACT AND PRICING

3.1 LENGTH OF CONTRACT

The term of the contract entered into under this RFP shall be for a period of five (5) years, beginning from date of final execution of contract. There may be one (1) renewal under the same terms and conditions at PERF's option up to the length of the original term. Total contract period shall not

exceed ten (10) years.

3.2 PRICING

The compensation for the duration of this contract shall be fixed by negotiation from the pricing set forth in response to this Request for Proposal. Once the apparent successful Respondent is selected, the pricing may be negotiated further. PERF requests the pricing associated with this RFP be a firm proposal price that must remain open and in effect for a period of not less than 180 days from the proposal due date. Prices quoted shall include all costs for services provided under this contract. Any unspecified costs shall be borne by the Respondent.

SECTION FOUR PROPOSAL PREPARATION INSTRUCTIONS

4.1 GENERAL

To facilitate the timely evaluation of proposals, a standard format for proposal submission has been developed and is documented in this section. All respondents are required to format their proposals in a manner consistent with the guidelines described below:

1. Each item must be addressed in the respondent's proposal or the proposal may be rejected.
2. The transmittal letter should be in the form of a letter. The business proposal must be organized under the specific section titles as listed below.
3. PERF may, at its option, allow all respondents a five-calendar-day period to correct errors or omissions to their proposals. Should this necessity arise, PERF will contact each respondent affected. Each respondent must submit written corrections to the proposal within five calendar days of notification. The intent of this option is to allow proposals with only minor errors or omissions to be corrected. Major errors or omissions, such as the failure to include prices, will not be considered by PERF as a minor error or omission and may result in disqualification of the proposal from further evaluation.

A complete proposal will include the following:

1. Hard copy submission of a transmittal letter (with the information in Section 4.2)
2. Hard copy submission of a Business Proposal (with the information and attachments described in Section 4.3)
3. Original, four (4) copies, and CD ROM of entire proposal as outlined in Section 1.4

4.2 TRANSMITTAL LETTER

The Transmittal Letter must address the following topics:

4.2.1 Identification

The transmittal letter must first identify the RFP.

4.2.2 Summary of Ability and Desire to Supply the Required Services

The transmittal letter must briefly summarize the respondent's ability to supply the requested services. The letter must also contain a statement indicating the respondent's willingness to provide the requested services subject to the terms and conditions set forth in the RFP including, but not limited to, PERF's standard contract clauses.

4.2.3 Signature of Authorized Representative

A person authorized to commit the respondent to its representations must sign the transmittal letter. Respondent personnel signing the transmittal letter of the proposal must be legally authorized by the organization to commit the organization contractually. This section must contain proof of such authority. A copy of corporate bylaws or a corporate resolution adopted by the board of directors indicating this authority will fulfill

this requirement.

4.2.4 Other Information

Any other information the respondent may wish to briefly summarize will be acceptable.

4.3 BUSINESS PROPOSAL

The Business Proposal must contain the following items:

4.3.1 Ability to Perform Scope of Services

Respondent should demonstrate in this section its ability to meet the requirements set forth in Exhibit A, Scope of Services.

4.3.2 References

The respondent should include a list of at least three (3) clients for whom the respondent has provided products and services that are the same or similar to those products and services requested in this RFP. Any state government or pension fund for whom the respondent has provided these products and services should be included; also to be included should be clients with locations near Indianapolis, as site visits may be arranged. Information provided should include the name, address, and telephone number of the client facility and the name, title, e-mail address, and phone/fax numbers of a person who may be contacted for further information.

4.3.3 Registration to do Business

Respondents proposing to provide services required by this RFP are required to be registered to do business within the state by the Indiana Secretary of State. The address contact information for this office may be found in Section 1.11 of this RFP. This process must be concluded prior to contract negotiations with PERF. It is the successful respondent's responsibility to complete the required registration with the Secretary of State. The respondent must indicate the status of registration, if applicable, in this section of the proposal.

4.3.4 Subcontractors

The respondent must list any subcontractors that are proposed to be used in providing the required services. The subcontractor's responsibilities under the proposal, the subcontractor's form of organization, and an indication from the subcontractor of a willingness to carry out these responsibilities are to be included for each subcontractor. This assurance in no way relieves the respondent of any responsibilities in responding to this RFP or in completing the commitments documented in the proposal.

4.3.5 Financial Statements

This section must include the respondent's financial statements, including an income statement and balance sheet for each of the two most recently completed fiscal years.

4.3.6 Minority Business Development

The contract goal is that at least seven percent (7%) of state contracts be with minority and women business enterprises as defined in IC 4-13-16.5. This goal is established under in IC 4-13-16.5-2 (f) (7). It is the intent of the Funds to meet or exceed the 7% minority and women's business enterprise participation goal.

Participation does not need to be only through subcontractors, but can also be through second-tier participation with common suppliers (office supplies, courier services, accounting services, janitorial services, etc.). Include only the proportion of those contracts which pertain to the bid being submitted.

SECTION FIVE PROPOSAL EVALUATION

PERF has selected a group of qualified personnel to act as an evaluation team. The procedure for evaluating the responses against the evaluation criteria will be as follows:

1. Each response will be evaluated on the basis of the categories listed below.
2. Based on the results of the evaluation, the proposal determined to be most advantageous to PERF, taking into account all of the evaluation factors, may be selected by PERF for further action.
3. In addition, the evaluation team will consider other factors they believe to be material for this selection.

Proposals will be evaluated based upon the proven ability of the respondent to satisfy the requirements in an efficient, cost-effective manner, taking into account quality of service with minimal tolerance for error. Specific criteria include:

1. Fulfilling the requirements set forth in the RFP
2. Experience and track record in the field
3. Price

All proposals will be reviewed by members of PERF. References may be contacted. It is possible that finalists will be interviewed by persons participating in the selection process.

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EXHIBIT A
SCOPE OF SERVICES

The Indiana Public Employees' Retirement Fund ("PERF") is soliciting proposals from all qualified firms who wish to be considered as a vendor for policy implementation cash overlay services. Specifically, PERF is seeking a policy implementation cash overlay manager to provide comprehensive management of PERF's cash exposure to better align the fund's frictional and reserve cash with the strategic policy allocation targets of the fund. It is expected that domestic and international equity manager's frictional cash (except those who may hold cash as part of their investment strategy), as well as cash held by the fund to meet benefit payments and private equity and real estate capital calls, will be managed to the fund's strategic asset allocation.

PERF's established asset allocation policy is as follows:

Indiana PERF	Policy	Target
Equity		
Domestic Equity	35-50%	40%
International Equity	10-20%	15%
Global	5-15%	10%
Total Equity		65%
Fixed Income		
Core	10-20%	15%
TIPS	0-10%	5%
Total Fixed		20%
Alternatives		
Private Equity	0-10%	8%
Real Estate	0-5%	3%
Commodities	0-5%	2%
Absolute Return	0-5%	2%
Total Alternatives		15%

The asset allocation will be reviewed periodically, but no less frequently than every three years. Asset liability modeling studies will be conducted as the Board determines necessary.

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EXHIBIT B
CONTRACT TERMS AND CONDITIONS

The following terms and conditions are standard. Certain terms and conditions are mandatory in all contracts with the Fund. Those provisions are as follows.

1. Access to Records (MANDATORY)

The Contractor and its subcontractors shall maintain all books, documents, papers, accounting records, and other evidence pertaining to the cost incurred, and shall make such materials available at their respective offices at all reasonable times during the contract period and for seven (7) years from the date of final payment under this contract for inspection by the Fund or by any other authorized representative of the Fund, and copies thereof shall be furnished at no cost to the Fund if requested.

Upon execution of this contract, Fund will provide Contractor with a list of Authorized Persons who will be permitted to advise, inform, and direct Contractor on Fund's behalf, together with signature specimens of certain Authorized Persons who may execute specific tasks under this contract. The list of Authorized Persons and any changes to such list shall be made in writing to Contractor and signed by Fund's Director or the Director's designee. Until notified of any such change, Contractor may rely on and act upon instructions and notices received from an Authorized Person identified on the then-current list furnished by Fund.

All Authorized Instructions shall be in writing and transmitted by first class mail, private express courier, facsimile, or other authenticated electronic transmissions; *provided, however*, that Contractor may, in its discretion, accept verbal Authorized Instructions subject to written confirmation of same from such Authorized Person. Such Authorized Instructions shall bind Contractor upon receipt. If Contractor receives instructions or notices from a source other than an Authorized Person, Contractor shall not comply with them and shall immediately notify Fund's Executive Director in writing of such unauthorized instructions or notices.

2. Assignment (MANDATORY)

The Contractor shall not assign or subcontract the whole or any part of this contract without the Fund's prior written consent, except that the Contractor may assign its right to receive payments to such third parties as the Contractor may desire without the prior written consent of the Fund, provided that Contractor gives written notice (including evidence of such assignment) to the Fund thirty (30) days in advance of any payment so assigned. Assignment shall cover all unpaid amounts under this contract and shall not be made to more than one party.

3. Successors and Assignees (MANDATORY)

The Contractor binds his successors, executors, administrators, and assignees to all covenants of this contract. Except as above set forth, the Contractor shall not assign, sublet, or transfer interest in this contract without the prior written consent of the Fund.

4. Audit and Audit Settlement (MANDATORY)

The Contractor acknowledges that it may be required to submit to an audit of funds paid through this Contract. Any such audit shall be conducted in accordance with IC 5-11-1, et. seq. and audit guidelines specified by the Fund.

If an error is discovered as a result of an audit performed by Contractor or Fund, or if Contractor becomes aware of any error through any other means, Contractor shall use its best efforts to promptly correct such error or to cause the appropriate party to correct such error.

5. Compliance with Laws (MANDATORY)

The Contractor agrees to comply with all applicable federal, state, and local laws, rules, regulations or ordinances, and all provisions required thereby to be included herein are hereby incorporated by reference. The enactment of any state or federal statute or the promulgation of regulations thereunder after execution of this contract shall be reviewed by the Fund and the Contractor to determine whether any provisions of this contract require formal amendment.

6. Confidentiality of Fund Information (MANDATORY)

The Contractor understands and agrees that data, materials, and information disclosed to Contractor contain confidential and protected data; therefore, the Contractor promises and assures that data, material, and information gathered, based upon, or disclosed to the Contractor for the purpose of this contract, will be treated as confidential and will not be disclosed to others or discussed with other parties without the prior written consent of the Fund.

7. Confidentiality of Data, Property Rights in Products, and Copyright Prohibition (MANDATORY)

The Contractor agrees that all information, data, findings, recommendations, proposals, etc., by whatever name described and by whatever form therein, secured, developed, written, or produced by the Contractor in furtherance of this contract shall be the property of the Fund, and the Contractor shall take such action as is necessary under law to preserve such property rights in and of the Fund while such property is within the control and/or custody of the Contractor. By this contract, the Contractor specifically waives and/or releases to the Fund any cognizable property right of the Contractor to copyright, license, patent, or otherwise use such information, data, findings, recommendations, proposals, etc.

8. Ownership of Documents and Materials (MANDATORY)

All documents, records, programs, data, film, tape, articles, memos, and other materials developed under this contract shall be considered "work for hire," and the Contractor transfers any ownership claim to the Fund and all such matters will be the property of the Fund. Use of these materials, other than related to contract performance by the Contractor, without the prior written consent of the Fund, is prohibited. During the performance of the services specified herein, the Contractor shall be responsible for any loss or damage to these materials developed for or supplied by the Fund and used to develop or assist in the services provided herein while they are in the possession of the Contractor, and any loss or damage thereto shall be restored at the Contractor's expense. Full, immediate, and unrestricted access to the work product of the Contractor during the term of this contract shall be available to the Fund.

9. Conflict of Interest (MANDATORY)

A. Conflict of interest, as defined in this section:

“Immediate family” means the spouse and the unemancipated children of an individual.

“Interested party,” means:

- a. The individual executing this Contract;
- b. An individual who has an interest of three percent (3%) or more of the Contractor, if the Contractor is not an individual; or
- c. Any member of the immediate family of an individual specified under subdivision a. or b.

“Fund” means the Indiana Public Employees’ Retirement Fund.

“Commission” means the State Ethics Commission.

B. The Fund may cancel this Contract without recourse by the Contractor if any interested party is, or becomes, an employee of the Fund.

C. The Fund will not exercise its right of cancellation under section B, above, if the Contractor gives the Fund an opinion by the Commission indicating that the existence of this Contract and the employment by the Fund of the interested party does not violate any statute or rule relating to ethical conduct of Fund employees. The Fund may take action, including cancellation of this Contract, consistent with an opinion of the Commission obtained under this section.

D. The Contractor has an affirmative obligation under this Contract to disclose to the Fund when an interested party is or becomes an employee of the Fund. The obligation under this section extends only to those facts that the Contractor knows or reasonably could know.

10. Debarment and Suspension (MANDATORY)

The Contractor certifies by entering into this Contract that neither it nor its principals nor any of its subcontractors are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from entering into this Contract by any federal agency or by any department, agency or political subdivision of the Fund. The term “principal” for purposes of this Contract means an officer, director, owner, partner, key employee or other person with primary management or supervisory responsibilities, or a person who has a critical influence on or substantive control over the operations of the Contractor.

The Contractor certifies that it has verified the state and federal suspension and debarment status for all subcontractors receiving funds under this Contract and shall be solely responsible for any recoupment, penalties or costs that might arise from use of a suspended or debarred subcontractor. The Contractor shall immediately notify the Fund if any subcontractor becomes debarred or suspended, and shall, at the Fund’s request, take all steps required by the Fund to terminate its contractual relationship with the subcontractor for work to be performed under this Contract.

11. Disputes (MANDATORY)

Should any disputes arise with respect to this contract, the Contractor and the Fund agree to act immediately to resolve any such disputes. Time is of the essence in the resolution of disputes.

The Contractor agrees that, the existence of a dispute notwithstanding, it will continue without delay to carry out all its responsibilities under this contract which are not affected by the dispute. Should the Contractor fail to continue without delay to perform its responsibilities under this contract in the accomplishment of all non-disputed work, any additional costs incurred by the Contractor or the Fund as a result of such failure to proceed shall be borne by the Contractor, and the Contractor shall make no claim against the state of Indiana for such costs.

The Fund may withhold payments on disputed items pending resolution of the dispute. The unintentional nonpayment by the Fund to the Contractor of one or more invoices not in dispute in accordance with the terms of this contract will not be cause for Contractor to terminate this contract, and the Contractor may bring suit to collect without following the dispute procedure contained herein.

This section shall not be construed to limit the right of either party to terminate the contract pursuant to the terms of the "Termination" section of the contract.

12. Maintaining a Drug-Free Workplace (MANDATORY)

a. Contractor hereby covenants and agrees to make a good faith effort to provide and maintain during the term of this contract a drug-free workplace, and that it will give written notice to the Fund within ten (10) days after receiving actual notice that an employee of Contractor has been convicted of a criminal drug violation occurring in Contractor's workplace.

b. In addition to the provisions of subparagraph a. above, if the total contract amount set forth in this contract is in excess of \$25,000.00, Contractor hereby further agrees that this contract is expressly subject to the terms, conditions, and representations contained in the Drug-Free Workplace Certification executed by Contractor in conjunction with this contract.

c. It is further expressly agreed that the failure of Contractor to in good faith comply with the terms of subparagraph a. above, or falsifying or otherwise violating the terms of the certification referenced in subparagraph b. above, shall constitute a material breach of this contract, and shall entitle the Fund to impose sanctions against the Contractor including, but not limited to, suspension of contract payments, termination of this contract and/or debarment of the Contractor from doing further business with the Fund for up to three (3) years.

13. Drug-Free Workplace Certification (MANDATORY)

This certification is required by Executive Order No. 90-5, April 12, 1990, issued by the Governor of Indiana. Pursuant to its delegated authority, the Fund is requiring the inclusion of this certification in all contracts with and grants from the PERF in excess of \$25,000. No award of a contract shall be made, and no contract, purchase order or agreement, the total amount of which exceeds \$25,000, shall be valid unless and until this certification has been fully executed by the Contractor and made a part of the contract or agreement as part of the contract documents. False certification or violation of the certification may result in sanctions including, but not limited to, suspension of contract payments, termination of the contract or agreement and/or debarment of contracting opportunities with the Fund for up to three (3) years.

The Contractor certifies and agrees that it will provide a drug-free workplace by:

a. Publishing and providing to all of its employees a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the Contractor's workplace and specifying the actions that will be taken against employees for violations of such prohibition;

b. Establishing a drug-free awareness program to inform employees that (1) the dangers of drug abuse in the workplace; (2) the Contractor's policy of maintaining a drug-free workplace; (3) any available drug counseling, rehabilitation, and employee assistance programs; and (4) the penalties that may be imposed upon an employee for drug abuse violations occurring in the workplace;

c. Notifying all employees in the statement required by subparagraph (a) above that as a condition of continued employment the employee will (1) abide by the terms of the statement; and (2) notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five (5) days after such conviction;

d. Notifying in writing the Fund within ten (10) days after receiving notice from an employee under subdivision (c)(2) above, or otherwise receiving actual notice of such conviction;

e. Within thirty (30) days after receiving notice under subdivision (c)(2) above of a conviction, imposing the following sanctions or remedial measures on any employee who is convicted of drug abuse violations occurring in the workplace: (1) take appropriate personnel action against the employee, up to and including termination; or (2) require such employee to satisfactorily participate in a drug abuse assistance or rehabilitation program approved for such purposes by a federal, state or local health, law enforcement, or other appropriate agency; and

f. Making a good faith effort to maintain a drug-free workplace through the implementation of subparagraphs (a) through (e) above.

14. Governing Laws (MANDATORY)

This contract shall be construed in accordance with and governed by the laws of the state of Indiana and suit, if any, must be brought in the state of Indiana.

15. Indemnification (MANDATORY)

Contractor agrees to indemnify, defend, and hold harmless the Fund and the state of Indiana, their agents, officers, and employees from all claims and suits including court costs, attorney's fees, and other expenses arising from or related to any act of bad faith, negligence, intentional or willful misconduct, breach of fiduciary duty, or any other negligent act or omission of Contractor and/or its agents, if any, in the performance of this contract. The Fund shall not provide such indemnification to Contractor.

16. Information Technology Enterprise Architecture Requirements

If the Contractor provides any information technology related products or services to the Fund, the Contractor shall comply with all IOT standards, policies and guidelines, which are online at <http://iot.in.gov/architecture/>. The Contractor specifically agrees that all hardware, software and services provided to or purchased by the Fund shall be compatible with the principles and goals contained in the electronic and information technology accessibility standards adopted under Section 508 of the Federal Rehabilitation Act of 1973 (29 U.S.C. 794d) and IC 4-13.1-3. Any deviation from these architecture requirements must be approved in writing by IOT and the Fund in advance. The Fund may terminate this Contract for default if the Contractor fails to cure a breach of this provision within a reasonable time.

17. Licensing Standards (MANDATORY)

The Contractor and its employees and subcontractors shall comply with all applicable licensing standards, certification standards, accrediting standards and any other laws, rules or regulations governing services to be provided by the Contractor pursuant to this Contract. The Fund shall not be required to pay the Contractor for any services performed when the Contractor, its employees or subcontractors are not in compliance with such applicable standards, laws, rules or regulations. If licensure, certification

or accreditation expires or is revoked, or if disciplinary action is taken against the applicable licensure, certification or accreditation, the Contractor shall notify the Fund immediately and the Fund, at its option, may immediately terminate this Contract.

18. Minority and Women's Business Enterprise Compliance (MANDATORY)

The Contractor agrees to comply fully with the provisions of the Contractor's MBE/WBE participation plans, and agrees to comply with all Minority and Women's Business Enterprise statutory and administrative code requirements and obligations, including IC 4-13-16.5 and 25 IAC 5.

The Contractor further agrees to cooperate fully with the Minority and Women's Business Enterprise division to facilitate the promotion, monitoring, and enforcement of the policies and goals of MBE/WBE program including any and all assessments, compliance reviews, and audits that may be required.

19. Nondiscrimination (MANDATORY)

Pursuant to IC 22-9-1-10 and the Civil Rights Act of 1964, Contractor and its subcontractors, if any, shall not discriminate against any employee or applicant for employment, to be employed in the performance of this contract, with respect to the hire, tenure, terms, conditions or privileges of employment or any matter directly or indirectly related to employment, because of his race, color, religion, sex, disability, national origin or ancestry. Breach of this covenant may be regarded as a material breach of contract. Acceptance of this contract also signifies compliance with applicable federal laws, regulations, and executive orders prohibiting discrimination in the provision of services based on race, color, national origin, age, sex, disability or status as a veteran.

20. Condition of Payment (MANDATORY)

All services provided by the Contractor under this Contract must be performed to the Fund's reasonable satisfaction, as determined at the discretion of the undersigned Fund representative and in accordance with all applicable federal, state, local laws, ordinances, rules and regulations. The Fund shall not be required to pay for work found to be unsatisfactory, inconsistent with this Contract or performed in violation of and federal, state or local statute, ordinance, rule or regulation.

21. Penalties/Interest/Attorney's Fees (MANDATORY)

The Fund will in good faith perform its required obligations hereunder and does not agree to pay any penalties, liquidated damages, interest, or attorney's fees, except as required by Indiana law.

22. Substantial Performance (MANDATORY)

This Contract shall be deemed to be substantially performed only when fully performed according to its terms and conditions and any written amendments or supplements.

23. Taxes (MANDATORY)

The Fund is exempt from Fund, federal, and local taxes. The Fund will not be responsible for any taxes levied on the Contractor as a result of this contract.

24. Work Standards (MANDATORY)

The Contractor agrees to execute its responsibilities by following and applying at all times the highest professional and technical guidelines and standards. If the Fund becomes dissatisfied with the work product or the working relationship with those individuals assigned to work on this contract, the Fund may request in writing the replacement of any or all such individuals.

All services provided by the Contractor under this Contract must be performed to the Fund's reasonable satisfaction, as determined at the discretion of the undersigned PERF representative and in accordance with all applicable federal, Fund, local laws, ordinances, rules and regulations. PERF shall not be required to pay for work found to be unsatisfactory, inconsistent with this Contract or performed in violation of and federal, Fund or local statute, ordinance, rule or regulation.

25. Background Investigations (MANDATORY)

All employees of Contractor who require access to the Fund's building at 143 West Market, Indianapolis, Indiana, or the Fund's confidential information shall be subject to the following personal background investigations: (i) Indiana Fund Police criminal history background check; (ii) Federal Bureau of Investigation fingerprint check; and (iii) Indiana Department of Revenue tax liabilities check. The Fund shall, in its sole discretion, decide whether the results of such background checks are acceptable. Costs associated with these background checks shall be the sole responsibility of the Contractor.

26. Waiver of Rights (MANDATORY)

No right conferred on either party under this contract shall be deemed waived and no breach of this contract excused, unless such waiver or excuse shall be in writing and signed by the party claimed to have waived such right.

27. Investigations and Complaints (MANDATORY)

To the extent permitted by applicable law, Contractor shall promptly advise Fund in writing of any extraordinary investigation, examination, complaint, disciplinary action or other proceeding relating to or affecting Contractor's ability to perform its duties under this contract which is commenced by any of the following: (1) any Attorney General or any regulatory agency of any Fund of the United Funds; (2) any U.S. Government department or agency; or (3) any governmental agency regulating business in any country in which Contractor is doing business. Except as otherwise required by law, Fund shall maintain the confidentiality of all such information until investigating entity makes the information public.

28. Ethics Requirement (MANDATORY)

The Contractor and its agents shall abide by all ethical requirements that apply to persons who have a business relationship with the Fund, as set forth in Indiana Code § 4-2-6 et seq., the regulations promulgated thereunder, and Executive Orders 04-08 and 05-12, dated April 27, 2004 and January 10, 2005, respectively. If the Contractor is not familiar with these ethical requirements, the Contractor should refer any questions to the Indiana Fund Ethics Commission, or visit the Indiana Fund Ethics Commission website at <<<<http://www.in.gov/ethics/>>>>. If the Contractor or its agents violate any applicable ethical standards, PERF may, in its sole discretion, terminate this contract immediately upon notice to the Contractor. In addition, the Contractor may be subject to penalties under Indiana Code § 4-2-6-12.

29. Authority to Bind (MANDATORY)

Notwithstanding anything in this contract to the contrary, the signatory for the Contractor represents that he/she has been duly authorized to execute agreements on its behalf.

30. Non-Collusion and Acceptance (MANDATORY)

The undersigned attests under penalties of perjury that he is the contracting party, or that he is the representative, agent, member or officer of the contracting party, that he has not, nor has any other member, employee, representative, agent or officer of the firm, company, corporation or partnership represented by him, directly or indirectly, to the best of his knowledge, entered into or offered to enter into any combination, collusion or agreement to receive or pay, and that he has not received or paid, any sum of money or other consideration for the execution of this agreement other than that which appears upon the face of the agreement.

The parties, having read and with full understanding of the foregoing terms of the contract, do by their respective signatures dated below hereby agree to the terms herein, including, if this contract is in excess of \$25,000, the Drug-Free Workplace Certification.

REQUEST FOR PROPOSAL
POLICY IMPLEMENTATION CASH OVERLAY MANAGER
RFP NUMBER: 07-01

EXHIBIT C
FEES

Fees must be submitted in U.S. dollars. The services detailed in Exhibit A of this RFP are the basis for the proposed fees. The proposed fees shall include all costs for providing services to Indiana PERF as described and shall be guaranteed for five years. In no case will the final fee be higher than the fee contained in the proposal.

**REQUEST FOR PROPOSAL
POLICY IMPLEMENTATION CASH OVERLAY MANAGER
RFP NUMBER: 07-01**

**EXHIBIT D
MANDATORY MINIMUM QUALIFICATIONS**

Unless otherwise specified, as of the Response Due Date, Respondents must meet the following minimum requirement in order to be considered for the contract:

- The Respondent must currently be providing policy implementation cash overlay management services for five U.S. based institutional clients, each of which must have total plan assets having a market value in excess of \$4 billion.

REQUEST FOR PROPOSAL
POLICY IMPLEMENTATION CASH OVERLAY MANAGER
RFP NUMBER: 07-01

EXHIBIT E
QUESTIONNAIRE

The following questionnaire must be completed and included with your Respondent Proposal. The questionnaire has been prepared to obtain responses relative to the Respondent's capability to provide all services required to successfully perform transition management services.

1. Briefly describe your firm and its history with policy implementation cash overlay services. Please include information on the founders of the firm and their current activity within the firm.
2. Describe your firm's ownership structure. Include any ownership structure or ownership changes in the previous five years.
3. Provide a list of biographies of the key personnel who would be responsible for managing *our* overlay and rebalancing. Describe the overlay/rebalancing management experience of each individual. Identify what role each person would serve, and identify who would serve as the client relationship manager and portfolio manager.
4. Identify and discuss the causes and impact of any turnover (departures or hiring/promotions) of any key professionals in the overlay management group in the past three years. How long has the current team been together? Please provide an organizational chart detailing the responsibilities (including non-overlay responsibilities) of each member of the team.
5. Indicate your office location(s); if more than one, indicate the functions at each location. Which office and who will be responsible for the management and client servicing of your product?
6. Is the firm a registered investment advisor under the Investment Company Act of 1940? If yes, please attach a copy of your most recent SEC Form ADV. Is the firm exempt from registering as an investment advisor? Please explain.
7. Is the firm currently involved, or in the last five years been involved, in any litigation or investigation by the SEC, a state or federal agency, or any governmental authority? Please explain.
8. Describe your Overlay/Rebalancing management client base. Please provide the following (differentiate between rebalancing/policy implementation programs and other overlay strategies for which you are retained): number of clients, aggregate overlay position, average overlay position, aggregate underlying portfolio asset value (see table below). What are the largest and smallest clients for which you provide rebalancing/overlay services?

	Number of Clients	Aggregate Overlay Position	Average Overlay Position	Underlying Portfolio Asset Value
Current				

Year End 2006				
Year End 2005				
Year End 2004				

9. How long has your firm provided this service to institutional clients?
10. Provide a list of three (3) references from plan sponsors that you currently provide overlay/rebalancing services to. Please also provide a list of three (3) references from terminated clients.
11. Describe the details of the process in establishing a policy implementation cash overlay program, including a sample timeline.
12. Does your firm currently manage overlay/rebalancing services for clients that also use JPMorgan as a custodian? If yes, please indicate how many clients.
13. Operationally how would data from JPMorgan be retrieved, manipulated, stored and reported? How frequently will data be updated from JPMorgan (daily, weekly, monthly)?

YOUR INVESTMENT PROCESS:

1. Describe the factors that you consider important when evaluating the benefit to the portfolio for the services under consideration. Demonstrate, with any evidence you can provide, your track record in performing these services and use specific examples.
2. Describe your investment philosophy and process for your strategy. Has it changed in the last few years? What monthly portfolio return rate is required to cover the total costs of the program you are proposing?
3. Please explain your methodology for replicating various asset class exposures (both liquid and illiquid) and how you minimize tracking error. List the various indices you have experience replicating.
4. Does your firm envision utilizing security types other than index futures (e.g. swaps) to implement market exposure? If so, please describe how and when you would utilize these alternative securities.
5. What is the most appropriate benchmark for your strategy, and what unique features of your investment approach do you feel add the most value over time?

TRADING:

1. Detail your firm's trading capabilities and experience, highlighting U.S. equity, non-U.S. equity, fixed income and FX trading and futures capabilities as they relate to overlay or equitization strategies. What aspects do you feel are unique?
2. Is your firm in the position where it may be on the other side of any given transaction (for equities, fixed income, FX and futures)? If so, what safeguards can you provide to ensure you are providing the best price to a client's account? Please list any conflicts this activity creates and how your firm manages those conflicts?

3. How are you compensated for your activities in this area? How transparent is this compensation? Are commissions fully disclosed? Do you make a spread on any transactions? Do you have any arrangement with other funds or firms whereby you are compensated by trading with those firms?
4. Please list the various types and levels of costs associated (both implicit and explicit) with this type trading. What brokerage arrangements are required for this service, which brokerage firms would be utilized, and how would they be selected.
5. How would margin requirements be handled (initial versus variation)?

RISK:

1. Describe in detail the risk involved in an overlay strategy and your risk management process. How would your firm ensure that all data are correct, that the trade instructions are correct and the plan is not leveraged?
2. Please detail how, and under what circumstances, your process will produce absolute losses to the total portfolio.

FEES AND REPORTING:

1. Describe the “all in” annual costs associated with your product. Please include the cost to initiate the program, annual position maintenance costs, estimated annual tracking error, and any other expenses or costs to be incurred.
Please attach a complete schedule of fees that you would propose for this account and what services are included. Please note that, with respect to fees, all proposals will be compared *solely* on the basis of the fees presented in this Request for Proposal. Any discounts offered subsequent to the submission of this Request for Proposal will not be taken into consideration during the process of comparing proposals at any time prior to and including the final selection process.
2. Specify the approach you would use for measuring and reporting the performance of the overlay and its impact on the fund. How would you expect to coordinate with the custodian to ensure the overlay performance is properly reflected at the total fund and manager level?
3. Please provide samples of your client reporting in respect to the overlay services you have undertaken. How often are reports available and how are they delivered?